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**Missouri State Auditor**

July 7, 2016

**TO: School Districts Not Wholly in St. Louis County**

**FROM: Local Government Section**

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**RE: Review of 2016 Property Tax Rates**

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**Procedures for 2016**

Pursuant to Section 137.073.6(2), RSMo, the State Auditor's Office (SAO) has the duty to review data filed by all political subdivisions substantiating tax rates and issue findings concerning compliance with Missouri law. The procedures for filing, reviewing, and certifying 2016 tax rate(s) will be the same as in 2015, where the school district will submit and receive information on the State Auditor's online Tax Rate System.

**Proper reporting of tax rate reductions as voluntary or Prop C is very important. A voluntary reduction taken in an even numbered year will result in a reduction to subsequent year(s) tax rate ceiling. Ensure you report any reductions as intended and maintain documentation to support your reduction.**

**Tax Rate Pro Forma**

The SAO tax rate forms the school district will receive this year will be the same as last year. The Tax Rate Summary Page has one column showing the current year tax rate ceiling based on the tax rate calculation. The school district must use the tax rate summary page for setting its property tax rate. The Informational Tax Rate Data page shows the information that would have been on the line items for the tax rate forms had no voluntary reduction(s) been taken in a prior even numbered year(s). If a voluntary reduction was not taken the information on this page will be identical to the Tax Rate Summary page. Please refer to the section below for more information on voluntary reductions.

**Helpful Hints in Completing the Online Forms**

Tax rate information will be completed and submitted by logging into the State Auditor's online Tax Rate System. Please enter the data required to compute the 2016 tax rates. Prior year (2015) information your school district previously submitted is included on the State Auditor's online Tax Rate System. Please update these numbers if necessary. The assessed valuation information submitted should be finalized by the local board of equalization.

If your school district has tax increment financing districts, urban renewal projects, or enterprise zones, only the taxable base valuation is included in the valuation totals for tax rate purposes. The increase in the valuation attributable to the improvements will come onto the tax rolls as new construction and improvements at the conclusion of the project.

## Local Government Section Duties

Based on the information on file for the prior year and the 2016 data submitted on the State Auditor's online Tax Rate System, this office will prepare tax rate forms with the 2016 tax rate ceiling(s).

Each political subdivision is responsible for reviewing and finalizing the forms, holding a public hearing to adopt the tax rates, and filing the forms with the county clerk of each county in which the tax rate is to be levied. Please complete, sign, and return the final version of the pro forma report printed from the State Auditor's online Tax Rate System to the county clerk of each county in which your school district levies its tax rate. The county clerk will enter the proposed rate that will be recorded on their tax books on the State Auditor's online Tax Rate System for certification.

The SAO will perform a final review and then provide a certification letter to the county clerk. **Section 137.073.6(2), RSMo, requires the county clerk to immediately forward a copy of the certification letter to the taxing authority and retain a copy with the information received from the taxing authority. Please review the certification letter to ensure it is consistent with your expectations based on your data submitted.** Concerns or questions about what is or is not on the certification letter should be brought to the SAO's attention promptly. Any political subdivision levying a rate higher than the rate certified by the SAO will also receive a letter by certified mail notifying the political subdivision of their non-compliance with Missouri laws. All tax levies not in compliance will be noted in the Review of 2016 Property Tax Rates report. In addition, Article X, Section 3 of the Missouri Constitution requires taxes levied to be uniform upon the same class or subclass of property within the territorial limits of the authority levying the tax. This means the political subdivision has to levy the same rate in all counties for each levy.

## 2016 Tax Rate Ceiling Based on Voluntary Reduction Taken in 2008, 2010, 2012, or 2014

For those political subdivisions that voluntarily reduced their tax rate in 2008 , 2010, or 2012 but did not revert back to the tax rate ceiling without voluntary reduction or voluntarily reduced their tax rate in 2014, the 2016 tax rate ceiling will be based on the lower voluntarily reduced ceiling. **The political subdivision must use the Tax Rate Summary Page for setting its property tax rate.** The tax rate ceiling will be based on line F of the Tax Rate Summary Page unless the political subdivision's governing body formally reverts back to the tax rate ceiling based on the prior year ceiling in a following even-numbered year. The political subdivision may increase the tax rate in 2016. To do so the political subdivision must conduct a public hearing, and in a public meeting it should adopt an ordinance, resolution, or policy statement justifying its action before setting and certifying its tax rate. **The political subdivision should submit a copy of its hearing minutes and/or ordinance, resolution, or policy statement to the SAO along with the 2016 forms indicating the decision to increase the tax rate ceiling from the previous even numbered year(s) voluntarily reduced rate.** The Informational Tax Rate Data Page shows the information that would have been on the line items for the Tax Rate Summary Page had no voluntary reduction been taken in a prior even numbered year(s). This page also provides the starting point for future years if the political subdivision's governing body formally reverts back to the tax rate ceiling based on the prior year ceiling.

## Tax Rate Calculators

Tax rate calculators are available on the SAO web site, <http://auditor.mo.gov>. One of the calculators is designed to assist in the calculation of the 2016 property tax rate and another calculator is designed to calculate prior year revisions of the 2015 property tax rate. Once the mandatory required input fields are entered, the data will automatically be entered into the electronic tax rate computation forms. These forms can be printed. The calculators can be used as a tool in determining your tax rate ceiling during the budgetary process or as a means to determine the preliminary tax rate ceiling.

The tax rate calculators include comment boxes explaining various line items on the data entry and Summary Page tabs of the Excel file that may be of use even if not completing the calculator.

Please note the use of these calculators is for informational purposes only. Any revision to the information on the

tax rate forms must be submitted on the State Auditor's online Tax Rate System.

**Rounding Policy**

Pursuant to Section 137.073.6, RSMo, each taxing authority shall express its proposed tax rate in a fraction equal to the nearest one/one hundredth of a cent (4-digits). A taxing authority shall round up a fraction greater than or equal to five/one thousandth of a cent to the next higher one/one hundredth of a cent, (i.e. 1.23454 to 1.2345 and 1.23455 to 1.2346). A tax rate rounding worksheet is attached for your reference.

**Consumer Price Index**

The 2016 consumer price index (CPI) of 0.7% as certified by the State Tax Commission will be used in the tax rate computations.

**Attorney General Authorized to Obtain Injunctive Relief**

Section 137.073.6, RSMo, states "if a taxing authority rejects a rate change certified by the state auditor and the state auditor does not receive supporting information which justifies the taxing authority's original or any subsequent proposed tax rate, then the state auditor shall refer the perceived violations of such taxing authority to the attorney general's office and the attorney general is authorized to obtain injunctive relief to prevent the taxing authority from levying a violative tax rate." The SAO will refer such violations to the Attorney General.

**Questions and Information**

If you have any questions, please contact the local government section at (573) 751-4213.

# TAX RATE ROUNDING WORKSHEET

Each taxing authority shall express its proposed tax rate in a fraction equal to the nearest one/one hundredth of a cent (4-digits). A taxing authority shall round up a fraction greater than or equal to five/one thousandth of a cent to the next higher one/one hundredth of a cent.

**Please Review the Following:**

**The Tax Rate Ceiling is the Maximum Legal Rate Allowed to Comply**

## **EXAMPLE #1**

If your calculation = 1.2345~~4~~

Round to get the Tax Rate Ceiling = **1.2345**

To Levy a 4 Digit Rate (Levy up to the Tax Rate Ceiling) = 1.2345

To Levy a 3 Digit Rate = 1.2340  
(1.235 is > than the Tax Rate Ceiling & Not Compliant with MO Laws)

To Levy a 2 Digit Rate = 1.2300  
(1.24 is > than the Tax Rate Ceiling & Not Compliant with MO Laws)

## **EXAMPLE #2**

If your calculation = 1.2345~~5~~

Round to get the Tax Rate Ceiling = **1.2346**

To Levy a 4 Digit Rate (Levy up to the Tax Rate Ceiling) = 1.2346

To Levy a 3 Digit Rate = 1.2340  
(1.235 is > than the Tax Rate Ceiling & Not Compliant with MO Laws)

To Levy a 2 Digit Rate = 1.2300  
(1.24 is > than the Tax Rate Ceiling & Not Compliant with MO Laws)

**With Missouri Laws for the Current Year. Any Rate Greater Than the Tax Rate Ceiling is NOT Compliant with Missouri Laws.**